

DAVIS COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

DAVIS COUNTY, IOWA

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DAVIS COUNTY, IOWA

OFFICIALS

| <u>Name</u>     | <u>Title</u>         | <u>Term Expires</u> |
|-----------------|----------------------|---------------------|
| Ron Bride       | Board of Supervisors | January 2019        |
| Dale Taylor     | Board of Supervisors | January 2017        |
| Matt Greiner    | Board of Supervisors | January 2019        |
| Linda Humphrey  | County Auditor       | January 2017        |
| Mike Johnson    | County Treasurer     | January 2019        |
| Megan Clyman    | County Recorder      | January 2019        |
| Dave Davis      | County Sheriff       | January 2017        |
| Rick Lynch      | County Attorney      | January 2019        |
| Lois Heckethorn | County Assessor      | Appointed           |

## INDEPENDENT AUDITOR'S REPORT

To the Officials of  
Davis County, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 40 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2011 (which are not presented herein) were audited by other auditors, who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2017, on our consideration of Davis County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 26, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Davis County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2016 FINANCIAL HIGHLIGHTS

- ◆ County revenue increased 14.77%, or \$1,233,072 from fiscal year 2015 to 2016. This increase was primarily due to an increase in operating grants received by the secondary roads department.
- ◆ County program expenses increased 19.23%, or \$1,373,159 in fiscal year 2016 compared to 2015. This increase was primarily due to an increase in expenses in the roads and transportation function.
- ◆ The County's net position increased 7.61%, or \$1,068,722 (\$1,208,809 in prior year), during the year ended June 30, 2016.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Davis County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Davis County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide information about activities for which Davis County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Agricultural Extension Education, E911 and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position for governmental activities.

### Net Position of Governmental Activities

|   | June 30,<br><u>2016</u> | June 30,<br><u>2015</u> |
|---|-------------------------|-------------------------|
| Current and other assets                              | \$ 11,651,002           | \$ 7,250,229            |
| Capital assets  | <u>15,789,069</u>       | <u>12,239,829</u>       |
| Total assets  | <u>27,440,071</u>       | <u>19,490,058</u>       |
| Deferred outflows of resources                        | <u>265,886</u>          | <u>268,297</u>          |
| Long-term liabilities                                 | 7,062,420               | 1,438,887               |
| Other liabilities                                     | <u>1,337,101</u>        | <u>420,565</u>          |
| Total liabilities                                     | <u>8,399,521</u>        | <u>1,859,452</u>        |
| Deferred inflows of resources                         | <u>4,185,293</u>        | <u>3,846,482</u>        |
| Net position:   |                         |                         |
| Net investment in capital assets, net of related debt | 9,931,655               | 12,152,299              |
| Restricted  | 2,216,902               | 2,684,551               |
| Unrestricted  | <u>2,972,586</u>        | <u>(784,429)</u>        |
| Total net position                                    | \$ <u>15,121,143</u>    | \$ <u>14,052,421</u>    |

Net position of the County's governmental activities increased by 7.61% (\$15,121,143 compared to \$14,052,421). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$(784,729) at June 30, 2015 to \$2,972,586 at June 30, 2016, an increase of 478.80%.

### Changes in Net Position of Governmental Activities

|   | June 30,<br><u>2016</u> | June 30,<br><u>2015</u> |
|---|-------------------------|-------------------------|
| Revenues:   |                         |                         |
| Program revenues:                                       |                         |                         |
| Charges for service                                     | \$ 410,153              | \$ 408,245              |
| Operating grants, contributions and restricted interest | 3,662,355               | 2,796,245               |
| Capital grants, contributions and restricted interest   | 1,339,586               | 1,253,895               |
| General revenues:                                       |                         |                         |
| Property and other County tax                           | 3,081,493               | 2,969,524               |
| State tax credits                                       | 308,618                 | 245,749                 |
| Penalty and interest on property tax                    | 41,095                  | 40,963                  |
| Local option sales tax                                  | 556,302                 | 514,726                 |
| Unrestricted investment earnings                        | 25,898                  | 16,775                  |
| Other general revenues                                  | <u>156,478</u>          | <u>102,784</u>          |
| Total revenues  | <u>9,581,978</u>        | <u>8,348,906</u>        |



|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Expenses:                           |                      |                      |
| Public safety and legal services    | 1,416,608            | 1,083,358            |
| Physical health and social services | 291,851              | 270,870              |
| Mental health                       | 504,595              | 332,250              |
| County environment and education    | 444,250              | 449,458              |
| Roads and transportation            | 4,574,573            | 3,780,644            |
| Governmental services to residents  | 352,066              | 348,170              |
| Administration                      | 838,267              | 865,881              |
| Interest on long-term debt          | 91,046               | 9,466                |
| Total expenses                      | <u>8,513,256</u>     | <u>7,140,097</u>     |
| Change in net position              | 1,068,722            | 1,208,809            |
| Net position – Beginning of year    | <u>14,052,421</u>    | <u>12,843,612</u>    |
| Net position – End of year          | \$ <u>15,121,143</u> | \$ <u>14,052,421</u> |

The results of governmental activities for the year resulted in Davis County, Iowa's net position increasing by \$1,068,722. Revenues for governmental activities increased by \$1,233,072 from the prior year, including increases in operating grants, contributions and restricted interest. Expenditures increased by \$1,373,159 including increases in roads and transportation and public safety and legal services expenses.

The cost of all governmental activities this year was \$8,513,256 compared to \$7,140,097 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities was only \$3,101,162 because some of the cost was paid by those directly benefiting from the programs (\$410,153) or by other governments and organizations that subsidized certain programs with grants and contributions of \$5,001,941.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$6,535,327, which is an increase of \$3,406,439 from last year's total of \$3,128,888.

- General Fund ending fund balance increased by \$5,800,000 due to issuance of debt. The ending fund balance showed an increase from the prior year of \$4,007,963 from \$976,822 to \$4,984,785.
- Rural Services Fund transfers out decreased \$130,649 from the previous year and its ending fund balance decreased from the prior year by \$6,517 (decrease of \$236,225 in the prior year) to \$181,196.
- Secondary Roads Fund expenditures increased by \$1,556,462 from the prior year. As a result, there was a decrease in the Secondary Roads Fund ending balance of \$501,876 (\$278,969 increase in the prior year), or 35.8%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Davis County, Iowa amended its budget five times. The first amendment was made on July 20, 2015, the second amendment was made on August 3, 2015, the third amendment was made on December 28, 2015, the fourth amendment was made on March 7, 2016 and the final amendment was made on May 31, 2016. These amendments resulted in increases in budgeted disbursements in certain County departments. During the year ended June 30, 2016, the County did not exceed the amount budgeted.

The County's receipts were \$1,444,828 less than budgeted. Actual receipts for intergovernmental receipts were \$1,511,808 less than budgeted.

Total disbursements were \$5,818,167 less than the amended budget. Actual disbursements for capital projects and county environment and education functions were \$3,884,906 and \$1,219,727, respectively, less than budgeted.

### **CAPTIAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION**

#### **Capital Assets**

At June 30, 2016, Davis County, Iowa had \$15,789,069 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$3,549,240 or 29.00% more than the prior year. The majority of this increase was due to more infrastructure and construction in progress additions compared to depreciation expense in the current year.

### Capital Assets of Governmental Activities at Year End

|                                      | June 30,<br><u>2016</u> | June 30,<br><u>2015</u> |
|--------------------------------------|-------------------------|-------------------------|
| Land                                 | \$ 1,040,791            | \$ 1,040,791            |
| Construction in progress             | 1,650,564               | 460,056                 |
| Buildings (net)                      | 1,320,602               | 1,363,073               |
| Machinery and equipment (net)        | 993,847                 | 538,880                 |
| Infrastructure (net)                 | <u>10,783,265</u>       | <u>8,837,029</u>        |
| Totals                               | \$ <u>15,789,069</u>    | \$ <u>12,239,829</u>    |
| The year's major additions included: |                         |                         |
| Construction in progress             | \$ 1,650,564            | \$ 460,056              |
| Buildings                            | 13,723                  | 25,150                  |
| Machinery and equipment              | 637,095                 | 215,214                 |
| Infrastructure                       | <u>1,775,217</u>        | <u>764,023</u>          |
|                                      | \$ <u>4,076,599</u>     | \$ <u>1,464,443</u>     |

The County had depreciation expense of \$527,359 for the year ended June 30, 2016 and total accumulated depreciation as of June 30, 2016 of \$6,866,215.

The County's fiscal year 2016 capital budget included \$6,910,000 for capital projects, principally for continued upgrading of secondary roads and bridges and the law enforcement center project. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

#### Long-term Liabilities

At June 30, 2016, the County had \$7,544,962 in long-term liabilities compared to \$1,438,887 at June 30, 2015, as shown below.

### Outstanding Long-term Liabilities of Governmental Activities at Year-End

|                                       | June 30,<br><u>2016</u> | June 30,<br><u>2015</u> |
|---------------------------------------|-------------------------|-------------------------|
| General obligation capital loan notes | \$ 5,857,414            | \$ 87,530               |
| Compensated absences                  | 272,558                 | 269,266                 |
| Net OPEB liability                    | 208,510                 | 147,462                 |
| Net pension liability                 | <u>1,206,480</u>        | <u>934,629</u>          |
| Totals                                | \$ <u>7,544,962</u>     | \$ <u>1,438,887</u>     |

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$16,382,096. Other obligations include accrued vacation pay and sick leave, net pension liability and net OPEB liability. Additional information about the County's long-term liabilities is presented in Note 6 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Davis County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2017 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of June 2015) now stands at 4.4% versus 3.9% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

Inflation in the State is lower than the national Consumer Price Index increase. The State's CPI increase was 2.238% for the twelve month period ended June 2016 compared with the national increase of 2.400%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are decreasing by \$662,298 compared to the final fiscal year 2016 budget. Intergovernmental receipts are expected to make up the majority of this increase. Budgeted disbursements are expected to decrease by \$6,961,622 compared to the final fiscal year 2016 budget. Decreases in capital projects and roads and transportation expenditures represent the majority of the decrease. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$678,218 by the close of fiscal year 2017.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Davis County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Davis County, Iowa Auditor's Office, 100 Courthouse Square, Bloomfield, Iowa.

## BASIC FINANCIAL STATEMENTS

## DAVIS COUNTY, IOWA

STATEMENT OF NET POSITION  
JUNE 30, 2016Governmental  
ActivitiesASSETS:

Cash, cash equivalents and pooled investments:

Held by County

\$ 6,689,862

Held by component unit treasurer

19,273

Receivables:

Property tax:

Delinquent

12,353

Succeeding year

4,014,758

Accounts

434,555

Due from other governments

260,895

Inventories

136,832

Prepaid expenses

82,474

Capital assets, net of accumulated depreciation

15,789,069

Total assets

27,440,071

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows

265,886

LIABILITIES:

Accounts payable

768,224

Salaries and benefits payable

4,496

Accrued interest payable

81,839

Long-term liabilities:

Portion due or payable within one year:

General obligation bonds/notes

209,984

Compensated absences

272,558

Portion due or payable after one year:

General obligation bonds/notes

5,647,430

Net OPEB liability

208,510

Net pension liability

1,206,480

Total liabilities

8,399,521

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue

4,014,758

Pension related deferred inflows

170,535

Total deferred inflows of resources

4,185,293

NET POSITION:

Net investment in capital assets

9,931,655

Restricted for:

Supplemental levy

666,360

Mental health

346,116

Rural services

181,196

Secondary roads

899,565

Debt service

54,100

Other purposes

69,565

Unrestricted

2,972,586

Total net position

\$ 15,121,143

## DAVIS COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

|   | Program Revenues    |                        |                     |                     | Net                |
|---|---------------------|------------------------|---------------------|---------------------|--------------------|
|   |                     |                        | Operating           | Capital Grants,     | (Expense)          |
|   |                     |                        | Grants,             | Contributions       | Revenue and        |
|   |                     |                        | and Restricted      | and Restricted      | Changes in         |
|   |                     |                        | Interest            | Interest            | Net Position       |
|   | Expenses            | Charges<br>for Service |                     |                     |                    |
| <b>FUNCTIONS/PROGRAMS:</b>                |                     |                        |                     |                     |                    |
| Governmental activities:                  |                     |                        |                     |                     |                    |
| Public safety and legal services          | \$ 1,416,608        | \$ 34,903              | \$ 1,968            | \$ -                | \$ (1,379,737)     |
| Physical health and social services       | 291,851             | -                      | 71,330              | -                   | (220,521)          |
| Mental health                             | 504,595             | -                      | -                   | -                   | (504,595)          |
| County environment and education          | 444,250             | 15,855                 | 16,746              | -                   | (411,649)          |
| Roads and transportation                  | 4,574,573           | 200,271                | 3,532,772           | 1,339,586           | 498,056            |
| Governmental services to residents        | 352,066             | 157,581                | 33,273              | -                   | (161,212)          |
| Administration                            | 838,267             | 1,543                  | 6,266               | -                   | (830,458)          |
| Interest on long-term debt                | 91,046              | -                      | -                   | -                   | (91,046)           |
| Total                                     | \$ <u>8,513,256</u> | \$ <u>410,153</u>      | \$ <u>3,662,355</u> | \$ <u>1,339,586</u> | <u>(3,101,162)</u> |
| <b>GENERAL REVENUES:</b>                  |                     |                        |                     |                     |                    |
| Property and other County tax levied for: |                     |                        |                     |                     |                    |
| General purposes                          |                     |                        |                     |                     | 3,014,091          |
| Debt service                              |                     |                        |                     |                     | 67,402             |
| Local option sales tax                    |                     |                        |                     |                     | 556,302            |
| Penalty and interest on property tax      |                     |                        |                     |                     | 41,095             |
| State tax credits and replacements        |                     |                        |                     |                     | 308,618            |
| Unrestricted investment earnings          |                     |                        |                     |                     | 25,898             |
| Miscellaneous                             |                     |                        |                     |                     | <u>156,478</u>     |
| Total general revenues                    |                     |                        |                     |                     | <u>4,169,884</u>   |
| Change in net position                    |                     |                        |                     |                     | 1,068,722          |
| <b>NET POSITION</b> - Beginning of year   |                     |                        |                     |                     | <u>14,052,421</u>  |
| <b>NET POSITION</b> - End of year         |                     |                        |                     |                     | \$ 15,121,143      |

DAVIS COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|   |                | <u>Special Revenue</u> |                        |  |
|---|----------------|------------------------|------------------------|--|
|   | <u>General</u> | <u>Rural Services</u>  | <u>Secondary Roads</u> |  |
| <u>ASSETS</u>   |                |                        |                        |  |
| Cash, cash equivalents and pooled investments:                        |                |                        |                        |  |
| Held by County  | \$ 5,211,293   | \$ 174,092             | \$ 663,797             |  |
| Held by component unit treasurer                                      |                |                        |                        |  |
| Receivables:  |                |                        |                        |  |
| Property tax:   |                |                        |                        |  |
| Delinquent  | 11,090         | 605                    | -                      |  |
| Succeeding year   | 2,044,932      | 1,256,619              | -                      |  |
| Accounts  | 44,495         | 2                      | -                      |  |
| Due from other governments  |                | 17,302                 | 243,593                |  |
| Inventories   |                |                        | 136,832                |  |
| Prepaid expenses  | 59,187         |                        | 23,287                 |  |
|   |                |                        |                        |  |
| TOTAL ASSETS  | \$ 7,370,997   | \$ 1,448,620           | \$ 1,067,509           |  |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>   |                |                        |                        |  |
| <u>LIABILITIES:</u>   |                |                        |                        |  |
| Accounts payable  | \$ 330,190     | \$ 10,200              | \$ 163,448             |  |
| Salaries and benefits payable   |                |                        | 4,496                  |  |
| Total liabilities   | 330,190        | 10,200                 | 167,944                |  |
| <u>DEFERRED INFLOWS OF RESOURCES:</u>                                 |                |                        |                        |  |
| Unavailable revenues:   |                |                        |                        |  |
| Succeeding year property tax  | 2,044,932      | 1,256,619              | -                      |  |
| Other   | 11,090         | 605                    | -                      |  |
| Total deferred inflows of resources                                   | 2,056,022      | 1,257,224              | -                      |  |
| <u>FUND BALANCES:</u>   |                |                        |                        |  |
| Nonspendable:   |                |                        |                        |  |
| Inventories   |                |                        | 136,832                |  |
| Prepaid expenses  | 59,187         |                        | 23,287                 |  |
| Restricted for:   |                |                        |                        |  |
| Supplemental levy   | 658,713        |                        |                        |  |
| Cemetery levy   | 13,170         |                        |                        |  |
| Mental health   | -              |                        | -                      |  |
| Rural services  | -              | 152,947                | -                      |  |
| Drainage districts  | -              | 28,249                 | -                      |  |
| Secondary roads   | -              |                        | 739,446                |  |
| Conservation purposes   | 120,455        | -                      | -                      |  |
| Debt services   | -              |                        | -                      |  |
| Other purposes  | -              |                        | -                      |  |
| Assigned for:   |                |                        |                        |  |
| Sheriff's reserve officers  | 4,580          | -                      | -                      |  |
| Unassigned  | 4,128,680      |                        |                        |  |
| Total fund balances   | 4,984,785      | 181,196                | 899,565                |  |
|   |                |                        |                        |  |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES AND FUND BALANCES | \$ 7,370,997   | \$ 1,448,620           | \$ 1,067,509           |  |

See Notes to Financial Statements

| <u>Nonmajor</u>     | <u>Total</u>         |
|---------------------|----------------------|
| \$ 451,859          | \$ 6,501,041         |
| 19,273              | 19,273               |
| 658                 | 12,353               |
| 713,207             | 4,014,758            |
| 449                 | 44,946               |
| -                   | 260,895              |
| -                   | 136,832              |
| -                   | 82,474               |
| <u>\$ 1,185,446</u> | <u>\$ 11,072,572</u> |
| \$ 1,800            | \$ 505,638           |
| -                   | 4,496                |
| <u>1,800</u>        | <u>510,134</u>       |
| 713,207             | 4,014,758            |
| 658                 | 12,353               |
| <u>713,865</u>      | <u>4,027,111</u>     |
| -                   | 136,832              |
| -                   | 82,474               |
| -                   | 658,713              |
| -                   | 13,170               |
| 346,116             | 346,116              |
| -                   | 152,947              |
| -                   | 28,249               |
| -                   | 739,446              |
| -                   | 120,455              |
| 54,100              | 54,100               |
| 69,565              | 69,565               |
| -                   | 4,580                |
| -                   | 4,128,680            |
| <u>469,781</u>      | <u>6,535,327</u>     |
| <u>\$ 1,185,446</u> | <u>\$ 11,072,572</u> |



DAVIS COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

|                                  |    |           |
|----------------------------------|----|-----------|
| TOTAL GOVERNMENTAL FUND BALANCES | \$ | 6,535,327 |
|----------------------------------|----|-----------|

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$22,655,284 and the accumulated depreciation is \$6,866,215.

15,789,069

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.

315,844

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

12,353

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(81,839)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

|                                |    |                  |        |
|--------------------------------|----|------------------|--------|
| Deferred outflows of resources | \$ | 265,886          |        |
| Deferred inflows of resources  |    | <u>(170,535)</u> | 95,351 |

Long-term liabilities, including general obligation debt, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the funds.

(7,544,962)

|   |    |                   |
|---|----|-------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>15,121,143</u> |
|---|----|-------------------|

DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

|   |                     | <u>Special Revenue</u> |                        |
|---|---------------------|------------------------|------------------------|
|   | <u>General</u>      | <u>Rural Services</u>  | <u>Secondary Roads</u> |
| <b><u>REVENUES:</u></b>                                   |                     |                        |                        |
| Property and other County tax                             | \$ 1,776,048        | \$ 916,031             | \$ -                   |
| Interest and penalty on property tax                      | 41,095              | -                      | -                      |
| Local option sales tax                                    | -                   | 278,151                | 278,151                |
| Intergovernmental   | 307,671             | 78,760                 | 4,075,885              |
| Licenses and permits                                      | 793                 | -                      | 4,041                  |
| Charges for service                                       | 201,963             | -                      | 92                     |
| Use of money and property                                 | 156,425             | 27                     | -                      |
| Miscellaneous   | 30,177              | -                      | 196,487                |
| Total revenues  | <u>2,514,172</u>    | <u>1,272,969</u>       | <u>4,554,656</u>       |
| <b><u>EXPENDITURES:</u></b>                               |                     |                        |                        |
| Operating:  |                     |                        |                        |
| Public safety and legal services                          | 801,030             | 346,566                | -                      |
| Physical health and social services                       | 249,851             | 42,000                 | -                      |
| Mental health   | -                   | -                      | -                      |
| County environment and education                          | 115,503             | 292,853                | -                      |
| Roads and transportation                                  | -                   | -                      | 4,798,938              |
| Governmental services to residents                        | 341,397             | 3,870                  | -                      |
| Administration  | 795,406             | -                      | -                      |
| Debt service  | 7,505               | -                      | -                      |
| Capital projects  | 1,942,973           | -                      | 904,335                |
| Total expenditures  | <u>4,253,665</u>    | <u>685,289</u>         | <u>5,703,273</u>       |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,739,493)</u>  | <u>587,680</u>         | <u>(1,148,617)</u>     |
| Other financial sources (uses):                           |                     |                        |                        |
| Transfers in  | -                   | -                      | 646,741                |
| Transfers out   | (52,544)            | (594,197)              | -                      |
| Proceeds from debt  | 5,800,000           | -                      | -                      |
| Total other financing sources (uses)                      | <u>5,747,456</u>    | <u>(594,197)</u>       | <u>646,741</u>         |
| Change in fund balances                                   | 4,007,963           | (6,517)                | (501,876)              |
| <b><u>FUND BALANCES - Beginning of year</u></b>           | <u>976,822</u>      | <u>187,713</u>         | <u>1,401,441</u>       |
| <b><u>FUND BALANCES - End of year</u></b>                 | <u>\$ 4,984,785</u> | <u>\$ 181,196</u>      | <u>\$ 899,565</u>      |

See Notes to Financial Statements

| <u>Nonmajor</u>   | <u>Total</u>        |
|-------------------|---------------------|
| \$ 394,050        | \$ 3,086,129        |
| -                 | 41,095              |
| -                 | 556,302             |
| 52,627            | 4,514,943           |
| -                 | 4,834               |
| 1,660             | 203,715             |
| 46                | 156,498             |
| 310               | 226,974             |
| <u>448,693</u>    | <u>8,790,490</u>    |
| -                 | 1,147,596           |
| -                 | 291,851             |
| 505,707           | 505,707             |
| 2,999             | 411,355             |
| -                 | 4,798,938           |
| 1,299             | 346,566             |
| -                 | 795,406             |
| 31,819            | 39,324              |
| -                 | 2,847,308           |
| <u>541,824</u>    | <u>11,184,051</u>   |
| <u>(93,131)</u>   | <u>(2,393,561)</u>  |
| -                 | 646,741             |
| -                 | (646,741)           |
| -                 | 5,800,000           |
| -                 | <u>5,800,000</u>    |
| (93,131)          | 3,406,439           |
| <u>562,912</u>    | <u>3,128,888</u>    |
| \$ <u>469,781</u> | \$ <u>6,535,327</u> |

DAVIS COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,406,439

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

|   |                  |           |
|---|------------------|-----------|
| Expenditures for capital assets                       | \$ 3,280,475     |           |
| Farm to market funds used to construct infrastructure | 796,124          |           |
| Depreciation expense                                  | <u>(527,359)</u> | 3,549,240 |

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

|              |         |
|--------------|---------|
| Property tax | (4,636) |
|--------------|---------|

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year debt proceeds and repayments are as follows:

|        |               |             |
|--------|---------------|-------------|
| Issued | (5,800,000)   |             |
| Repaid | <u>30,116</u> | (5,769,884) |

|  |         |
|--|---------|
| The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. | 214,575 |
|--|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                               |                  |           |
|-------------------------------|------------------|-----------|
| Compensated absences          | (3,292)          |           |
| Other postemployment benefits | (61,048)         |           |
| Interest on long-term debt    | (81,839)         |           |
| Pension expense               | <u>(103,347)</u> | (249,526) |

|  |                 |
|--|-----------------|
| The Internal Service Fund is used by management to charge the costs of employee health benefits to the individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. | <u>(77,486)</u> |
|--|-----------------|

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,068,722

See Notes to Financial Statements

## DAVIS COUNTY, IOWA

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

Internal Service -  
 Employee  
Group Health

ASSETS:

Current assets:

Cash, cash equivalents and pooled investments

\$ 188,821

Receivables:

Accounts

389,609

TOTAL ASSETS

578,430LIABILITIES:

Current liabilities:

Accounts payable

262,586NET POSITION:

Unrestricted

\$ 315,844

DAVIS COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

|   |   |
|---|---|
|   | Internal Service -<br>Employee<br><u>Group Health</u> |
| <u>OPERATING REVENUES:</u>              |   |
| Reimbursements from operating funds     | \$ <u>909,028</u>                                     |
| <u>OPERATING EXPENSES:</u>              |   |
| Medical claims                          | 767,835   |
| Insurance premiums                      | 174,150   |
| Administration fees                     | 29,823  |
| Miscellaneous                           | <u>17,235</u>   |
| Total operating expenses                | <u>989,043</u>  |
| Operating loss                          | (80,015)  |
| <u>NON-OPERATING REVENUES:</u>          |   |
| Interest income                         | <u>2,529</u>  |
| Net loss                                | (77,486)  |
| <u>NET POSITION</u> - Beginning of year | <u>393,330</u>  |
| <u>NET POSITION</u> - End of year       | \$ <u>315,844</u>                                     |

## DAVIS COUNTY, IOWA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2016

Internal Service -  
 Employee  
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

|  |                  |
|--|------------------|
| Cash received from reimbursements from other funds and employees | \$ 585,495       |
| Cash paid to suppliers for services                              | <u>(826,852)</u> |
| NET CASH USED IN OPERATING ACTIVITIES                            | (241,357)        |

CASH FLOWS FROM INVESTING ACTIVITIES:

|                         |              |
|-------------------------|--------------|
| Interest on investments | <u>2,529</u> |
|-------------------------|--------------|

NET DECREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (238,828)

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year 427,649

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year \$ 188,821

RECONCILIATION OF OPERATING LOSS TO NETCASH USED IN OPERATING ACTIVITIES:

|  |                     |
|--|---------------------|
| Operating loss   | \$ (80,015)         |
| Adjustments to reconcile operating loss to net cash<br>used in operating activities: |                     |
| Increase in accounts receivable  | (323,533)           |
| Increase in accounts payable   | <u>162,191</u>      |
| Net cash used in operating activities  | \$ <u>(241,357)</u> |

DAVIS COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2016ASSETS

## Cash, cash equivalents and pooled investments:

|                        |            |
|------------------------|------------|
| County Treasurer       | \$ 994,904 |
| Other County officials | 38,240     |

## Receivables:

|                     |        |
|---------------------|--------|
| Accounts receivable | 24,311 |
|---------------------|--------|

## Property tax receivable:

|            |        |
|------------|--------|
| Delinquent | 28,189 |
|------------|--------|

|                 |           |
|-----------------|-----------|
| Succeeding year | 8,111,477 |
|-----------------|-----------|

|              |                  |
|--------------|------------------|
| Total assets | <u>9,197,121</u> |
|--------------|------------------|

LIABILITIES

|                  |       |
|------------------|-------|
| Accounts payable | 9,369 |
|------------------|-------|

|                          |           |
|--------------------------|-----------|
| Due to other governments | 9,145,673 |
|--------------------------|-----------|

|                |        |
|----------------|--------|
| Trusts payable | 10,215 |
|----------------|--------|

|                      |        |
|----------------------|--------|
| Compensated absences | 31,864 |
|----------------------|--------|

|                   |                  |
|-------------------|------------------|
| Total liabilities | <u>9,197,121</u> |
|-------------------|------------------|

|              |             |
|--------------|-------------|
| NET POSITION | \$ <u>-</u> |
|--------------|-------------|



DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Davis County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Davis County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is reported in the Special Revenue Rural Services Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

The Davis County Courthouse Preservation Fund is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Capital Projects Fund. This Fund has been incorporated under Chapter 504A of the Code of Iowa to receive grants and donations to be used to promote continued planning and implementation of projects consistent with historic preservation and restoration of the Davis County Courthouse and grounds.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Law Enforcement Communication's Board and Davis County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Inflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>               | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure                   | \$ 150,000    |
| Land, buildings and improvements | 25,000        |
| Equipment and vehicles           | 5,000         |

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>         | <u>Estimated<br/>Useful lives<br/>(In Years)</u> |
|----------------------------|--|
| Infrastructure             | 10-65  |
| Buildings and improvements | 5-40   |
| Equipment                  | 5-20   |
| Vehicles                   | 5  |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the proceeding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

| <u>Transfer to</u>                  | <u>Transfer from</u>               | <u>Amount</u>     |
|-------------------------------------|------------------------------------|-------------------|
| Special Revenue:<br>Secondary Roads | Special Revenue:<br>Rural Services | \$ 594,197        |
|                                     | General                            | <u>52,544</u>     |
| Total                               |                                    | \$ <u>646,741</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

|   | Balance<br>Beginning<br>of Year | Increases           | Decreases         | Balance End<br>of Year |
|---|---------------------------------|---------------------|-------------------|------------------------|
| Governmental activities:                    |                                 |                     |                   |                        |
| Capital assets not being depreciated:       |                                 |                     |                   |                        |
| Land  | \$ 1,040,791                    | \$ -                | \$ -              | \$ 1,040,791           |
| Construction in progress                    | <u>460,056</u>                  | <u>1,650,564</u>    | <u>460,056</u>    | <u>1,650,564</u>       |
| Total capital assets not being depreciated  | <u>1,500,847</u>                | <u>1,650,564</u>    | <u>460,056</u>    | <u>2,691,355</u>       |
| Capital assets being depreciated:           |                                 |                     |                   |                        |
| Buildings                                   | 2,012,895                       | 13,723              | -                 | 2,026,618              |
| Equipment and vehicles                      | 4,173,744                       | 637,095             | -                 | 4,810,839              |
| Infrastructure                              | <u>10,891,199</u>               | <u>2,235,273</u>    | <u>-</u>          | <u>13,126,472</u>      |
| Total capital assets being depreciated      | <u>17,077,838</u>               | <u>2,886,091</u>    | <u>-</u>          | <u>19,963,929</u>      |
| Less accumulated depreciation for:          |                                 |                     |                   |                        |
| Buildings                                   | 649,822                         | 56,194              | -                 | 706,016                |
| Equipment and vehicles                      | 3,634,864                       | 182,128             | -                 | 3,816,992              |
| Infrastructure                              | <u>2,054,170</u>                | <u>289,037</u>      | <u>-</u>          | <u>2,343,207</u>       |
| Total accumulated depreciation              | <u>6,338,856</u>                | <u>527,359</u>      | <u>-</u>          | <u>6,866,215</u>       |
| Total capital assets being depreciated, net | <u>10,738,982</u>               | <u>2,358,732</u>    | <u>-</u>          | <u>13,097,714</u>      |
| Governmental activities capital assets, net | \$ <u>12,239,829</u>            | \$ <u>4,009,296</u> | \$ <u>460,056</u> | \$ <u>15,789,069</u>   |

Depreciation expense was charged to the following functions:

|  |                   |
|--|-------------------|
| Governmental activities:                             |                   |
| Public safety and legal services                     | \$ 37,977         |
| County environment and education                     | 40,994            |
| Roads and transportation                             | 432,533           |
| Administration                                       | <u>15,855</u>     |
| Total depreciation expense – governmental activities | \$ <u>527,359</u> |



DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

| <u>Fund</u>                      | <u>Description</u> | <u>Amount</u>       |
|----------------------------------|--------------------|---------------------|
| Agency:                          |                    |                     |
| Schools                          | Collections        | \$ 4,818,181        |
| Corporations                     |                    | 1,539,852           |
| Area schools                     |                    | 293,073             |
| Auto license and use tax         |                    | 194,232             |
| County assessor                  |                    | 333,209             |
| Townships                        |                    | 230,215             |
| Agricultural extension education |                    | 94,265              |
| County watershed                 |                    | 62,656              |
| E911                             |                    | 227,475             |
| Law enforcement communications   |                    | 183,823             |
| County hospital                  |                    | 1,139,344           |
| All other                        |                    | <u>29,348</u>       |
| Total for agency funds           |                    | \$ <u>9,145,673</u> |

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

|                           | <u>General<br/>Obligation<br/>Notes</u> | <u>Compensated<br/>Absences</u> | <u>Net OPEB<br/>Liability</u> | <u>Net<br/>Pension<br/>Liability</u> | <u>Total</u>        |
|---------------------------|---|---------------------------------|-------------------------------|--------------------------------------|---------------------|
| Balance beginning of year | \$ 87,530                               | \$ 269,266                      | \$ 147,462                    | \$ 934,629                           | \$ 1,438,887        |
| Increases                 | 5,800,000                               | 272,558                         | 61,048                        | 271,851                              | 6,405,457           |
| Decreases                 | <u>(30,116)</u>                         | <u>(269,266)</u>                | <u>-</u>                      | <u>-</u>                             | <u>(299,382)</u>    |
| Balance end of year       | \$ <u>5,857,414</u>                     | \$ <u>272,558</u>               | \$ <u>208,510</u>             | \$ <u>1,206,480</u>                  | \$ <u>7,544,962</u> |
| Due within one year       | \$ <u>209,984</u>                       | \$ <u>272,558</u>               | \$ <u>-</u>                   | \$ <u>-</u>                          | \$ <u>482,542</u>   |

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 6: LONG-TERM LIABILITIES (Continued)**

A summary of the County's June 30, 2016 general obligation indebtedness is as follows:

| Year<br>Ending<br>June 30, | Southern Iowa Electric,<br>Cooperative Inc. Note<br><u>Issued September 9, 2011</u> |                  |                 | General Obligation<br>County Law Center Bonds<br><u>Issued February 2, 2016</u> |                     |                     | <u>Total</u>        |                     |                     |
|----------------------------|---|------------------|-----------------|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|                            | Interest<br>Rates   | Principal        | Interest        | Interest<br>Rates   | Principal           | Interest            | Principal           | Interest            | Total               |
| 2017                       | 2.00%   | \$ 9,984         | \$ 1,099        | 2.00%   | \$ 200,000          | \$ 199,606          | \$ 209,984          | \$ 200,705          | \$ 410,689          |
| 2018                       | 2.00  | 10,184           | 899             | 2.00  | 255,000             | 145,705             | 265,184             | 146,604             | 411,788             |
| 2019                       | 2.00  | 10,389           | 694             | 2.00  | 260,000             | 140,605             | 270,389             | 141,299             | 411,688             |
| 2020                       | 2.00  | 10,598           | 485             | 2.00  | 265,000             | 135,405             | 275,598             | 135,890             | 411,488             |
| 2021                       | 2.00  | 10,811           | 272             | 2.00  | 270,000             | 130,105             | 280,811             | 130,377             | 411,188             |
| 2022-<br>2026              | 2.00  | 5,448            | 55              | 2.00-2.50   | 1,435,000           | 565,950             | 1,440,448           | 566,005             | 2,006,453           |
| 2027-<br>2031              | -   | -                | -               | 2.75-3.00   | 1,630,000           | 375,513             | 1,630,000           | 375,513             | 2,005,513           |
| 2032-<br>2035              | -   | -                | -               | 3.00-3.15   | 1,485,000           | 116,930             | 1,485,000           | 116,930             | 1,601,930           |
|                            |   | <u>\$ 57,414</u> | <u>\$ 3,504</u> |   | <u>\$ 5,800,000</u> | <u>\$ 1,809,819</u> | <u>\$ 5,857,414</u> | <u>\$ 1,813,323</u> | <u>\$ 7,670,737</u> |

During the year ended June 30, 2016, the County retired \$30,116 of debt.

**NOTE 7: PENSION PLAN**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriff, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriff, deputies and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 7: PENSION PLAN (Continued)

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method state statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the County contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. The sheriff, deputies members and the County each contributed 9.88 percent of covered payroll for a total rate of 19.76 percent. Protection occupation members contributed 6.56 percent of covered payroll and the County contributed 9.84 percent of covered payroll, for a total rate of 16.40 percent.

The County's contributions to IPERS for the year ended June 30, 2016 were \$214,575.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$1,206,480 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was .0244203 percent, which was an increase of .000854 percent from its proportion measured as of June 30, 2014.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 7: PENSION PLAN (Continued)**

For the year ended June 30, 2016, the County recognized pension expense of \$103,347. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 18,181                                 | \$ 14,422                                |
| Changes of assumptions  | 33,130                                    | 9,814                                    |
| Net difference between projected and actual earnings on IPERS' investments                                  | -   | 137,841                                  |
| Changes in proportion and differences between County contributions and proportionate share of contributions | -   | 8,458                                    |
| County contributions subsequent to the measurement date   | <u>214,575</u>                            | <u>-</u>                                 |
| <b>Total</b>  | <b>\$ <u>265,886</u></b>                  | <b>\$ <u>170,535</u></b>                 |

\$214,575 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>June 30,</u> | <u>Total</u>               |
|--------------------------------|----------------------------|
| 2017                           | \$ (60,443)                |
| 2018                           | (60,443)                   |
| 2019                           | (60,443)                   |
| 2020                           | 62,925                     |
| 2021                           | <u>(820)</u>               |
|                                | <b>\$ <u>(119,224)</u></b> |

There were no non-employer contributing entities at IPERS.

**Actuarial Assumptions** – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

|  |   |
|--|---|
| Rate of Inflation<br>(effective June 30, 2014)                   | 3.00 percent annum.   |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00 percent average, including inflation.<br>Rates vary by membership group.        |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.5 percent compounded annually, net of investment expense, including inflation.              |
| Wage growth<br>(effective June 30, 1990)                         | 4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation. |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 7: PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of IPERS' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|-------------------------|---|
| Core plus fixed income | 28 %                    | 2.04 %  |
| Domestic equity        | 24                      | 6.29  |
| International equity   | 16                      | 6.75  |
| Private equity / debt  | 11                      | 11.32   |
| Real estate            | 8                       | 3.48  |
| Credit opportunities   | 5                       | 3.63  |
| U.S. TIPS              | 5                       | 1.91  |
| Other Real Assets      | 2                       | 6.24  |
| Cash                   | <u>1</u>                | (0.71)  |
| Total                  | <u>100</u> %            |   |

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

|  | <u>1%<br/>Decrease<br/>(6.5%)</u> | <u>Discount<br/>Rate<br/>(7.5%)</u> | <u>1%<br/>Increase<br/>(8.5%)</u> |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| County's proportionate share of the net pension liability (asset): | \$ 2,444,577                      | \$ 1,206,480                        | \$ 162,555                        |

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8: SHORT TERM DEBT

On July 27, 2015, the County issued a General Obligation County Law Center Loan Agreement Anticipation Project Note for up to \$500,000. The note was used as interim financing for the law enforcement center project. The note had a maturity date of June 1, 2016 and was a revolving line of credit. During the year ended June 30, 2016, they were advanced \$416,950, paid interest of \$6,272 and repaid \$423,222. The note was paid in full prior to June 30, 2016.

NOTE 9: RISK MANAGEMENT

Davis County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2016 were \$127,433.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhaust the Pool's funds, and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 9: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000 and the aggregating stop loss limitation of \$25,000. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss coverage for the excess of \$25,000 in insured claims for any one covered individual and \$25,000 aggregating specific deductible for claims over the individual specific deductible.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2016 was \$909,028.

Amounts payable from the Employee Group Health Fund at June 30, 2016 total \$262,586 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$315,844 at June 30, 2016 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

|   |                   |
|---|-------------------|
| Unpaid claims beginning of year   | \$ 100,395        |
| Incurred claims (including claims incurred but not reported at June 30, 2016) | 767,835           |
| Payments:   |                   |
| Payments on claims during the fiscal year                                     | <u>(605,644)</u>  |
| Unpaid claims end of year   | \$ <u>262,586</u> |

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 52 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 61,010         |
| Interest on net OPEB obligation            | 5,898             |
| Adjustment to annual required contribution | <u>(5,860)</u>    |
| Annual OPEB cost                           | 61,048            |
| Contributions made                         | <u>-</u>          |
| Increase in net OPEB obligation            | 61,048            |
| Net OPEB obligation beginning of year      | <u>147,462</u>    |
| Net OPEB obligation end of year            | \$ <u>208,510</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County did not contribute to the medical plan.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

| <u>Year Ended</u><br><u>June 30,</u> | <u>Annual</u><br><u>OPEB Cost</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost Contributed</u> | <u>Net</u><br><u>OPEB</u><br><u>Obligation</u> |
|--------------------------------------|-----------------------------------|---|--|
| 2014                                 | \$ <u>77,397</u>                  | 57.22%  | \$ <u>113,730</u>                              |
| 2015                                 | \$ <u>78,015</u>                  | 56.76%  | \$ <u>147,462</u>                              |
| 2016                                 | \$ <u>61,048</u>                  | 0%  | \$ <u>208,510</u>                              |



DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$436,184 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$436,184. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,190,030 and the ratio of the UAAL to covered payroll was 19.92%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015.

Projected claim costs of the medical plan are \$897 per month for retirees and \$1,439 for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 12: COUNTY CARE FACILITY

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc., monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc. pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days. During the year ended June 30, 2016 the County received \$58,110 from ResCare, Inc.

DAVIS COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 13: DAVIS COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION**

South Central Behavioral Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective March 19, 2014, includes the following member counties: Wapello, Appanoose, Mahaska and Davis County, Iowa. The financial activity of Davis County, Iowa's Special Revenue, Mental Health Fund is included in the South Central Behavioral Health region for the year ended June 30, 2016 as follows:

|   |    |                |
|---|----|----------------|
| Revenues:                                 |    |                |
| Property and other county tax             | \$ | 326,628        |
| Intergovernmental revenues:               |    |                |
| State tax credits                         |    | <u>33,245</u>  |
| Total revenues                            |    | <u>359,873</u> |
| Expenditures:                             |    |                |
| Services to persons with:                 |    |                |
| Mental illness                            | \$ | 82,479         |
| Intellectual disability                   |    | <u>5,655</u>   |
|   |    | 88,134         |
| General administration:                   |    |                |
| Direct administration                     |    | 15,979         |
| Distribution to regional fiscal agent     |    | <u>401,594</u> |
| Total expenditures                        |    | <u>505,707</u> |
| Deficiency of revenues under expenditures |    | (145,834)      |
| Fund balance beginning of the year        |    | <u>491,950</u> |
| Fund balance end of the year              | \$ | <u>346,116</u> |

**NOTE 14: RELATED PARTY TRANSACTIONS**

The County had business transactions between the County and County officials totaling \$18,421 during the year ended June 30, 2016.

**NOTE 15: CONSTRUCTION CONTRACT COMMITMENTS**

Prior to June 30, 2016 the County had signed several construction contracts that are summarized below:

|                             |    |                  |
|-----------------------------|----|------------------|
| Total Commitments           | \$ | 5,591,093        |
| Less amount paid or accrued |    | <u>1,650,564</u> |
| Remaining commitments       | \$ | <u>3,940,529</u> |

The remaining balance at June 30, 2016 will be paid as work on the projects progress.

**NOTE 16: NEW ACCOUNTING PRONOUNCEMENT**

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**DAVIS COUNTY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

|   | Actual              | Less Funds<br>Not Required<br>To Be<br>Budgeted | Net                 | Budgeted Amounts    |                     | Final to<br>Net<br>Variance |
|---|---------------------|---|---------------------|---------------------|---------------------|-----------------------------|
|   |                     |   |                     | Original            | Final               |                             |
| <b>RECEIPTS:</b>  |                     |   |                     |                     |                     |                             |
| Property and other County tax   | \$ 3,652,122        | \$ -  | \$ 3,652,122        | \$ 3,660,872        | \$ 3,660,872        | \$ (8,750)                  |
| Interest and penalty on property tax  | 41,095              | -   | 41,095              | 15,110              | 15,110              | 25,985                      |
| Intergovernmental   | 4,538,367           | -   | 4,538,367           | 3,690,889           | 6,050,175           | (1,511,808)                 |
| Licenses and permits  | 4,413               | -   | 4,413               | 800                 | 800                 | 3,613                       |
| Charges for service   | 189,873             | -   | 189,873             | 170,994             | 170,994             | 18,879                      |
| Use of money and property   | 148,086             | -   | 148,086             | 119,737             | 119,737             | 28,349                      |
| Miscellaneous   | 244,806             | -   | 244,806             | 177,608             | 245,902             | (1,096)                     |
| Total receipts  | 8,818,762           | -   | 8,818,762           | 7,836,010           | 10,263,590          | (1,444,828)                 |
| <b>DISBURSEMENTS:</b>   |                     |   |                     |                     |                     |                             |
| Public safety and legal services  | 1,163,971           | -   | 1,163,971           | 1,236,515           | 1,283,309           | 119,338                     |
| Physical health and social services   | 289,250             | -   | 289,250             | 391,082             | 391,082             | 101,832                     |
| Mental health   | 504,433             | -   | 504,433             | 481,794             | 531,794             | 27,361                      |
| County environment and education  | 411,358             | -   | 411,358             | 387,399             | 1,631,085           | 1,219,727                   |
| Roads and transportation  | 4,825,317           | -   | 4,825,317           | 4,004,442           | 5,029,442           | 204,125                     |
| Governmental services to residents  | 347,102             | -   | 347,102             | 390,688             | 391,248             | 44,146                      |
| Administration  | 794,902             | -   | 794,902             | 959,152             | 964,592             | 169,690                     |
| Non-program   | 29,719              | -   | 29,719              | 30,493              | 35,493              | 5,774                       |
| Debt Service  | 31,819              | -   | 31,819              | 73,087              | 73,087              | 41,268                      |
| Capital projects  | 3,025,094           | -   | 3,025,094           | 460,000             | 6,910,000           | 3,884,906                   |
| Total disbursements   | 11,422,965          | -   | 11,422,965          | 8,414,652           | 17,241,132          | 5,818,167                   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (2,604,203)         | -   | (2,604,203)         | (578,642)           | (6,977,542)         | 4,373,339                   |
| Other financing sources, net  | 6,216,950           | -   | 6,216,950           | -                   | 6,300,000           | (83,050)                    |
| Excess (deficiency) of receipts and other<br>financing sources over (under)<br>disbursements and other financing uses | 3,612,747           | -   | 3,612,747           | (578,642)           | (677,542)           | 4,290,289                   |
| <b>BALANCE - Beginning of year</b>  | <b>2,879,320</b>    | <b>19,273</b>                                   | <b>2,860,047</b>    | <b>2,110,201</b>    | <b>2,110,201</b>    | <b>749,846</b>              |
| <b>BALANCE - End of year</b>  | <b>\$ 6,492,067</b> | <b>\$ 19,273</b>                                | <b>\$ 6,472,794</b> | <b>\$ 1,531,559</b> | <b>\$ 1,432,659</b> | <b>\$ 5,040,135</b>         |

DAVIS COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

|                              | <u>Governmental Funds</u> |                                |                                       |
|------------------------------|---------------------------|--------------------------------|---------------------------------------|
|                              | <u>Cash Basis</u>         | <u>Accrual<br/>Adjustments</u> | <u>Modified<br/>Accrual<br/>Basis</u> |
| Revenues                     | \$ 8,818,762              | \$ (28,272)                    | \$ 8,790,490                          |
| Expenditures                 | <u>11,422,965</u>         | <u>(238,914)</u>               | <u>11,184,051</u>                     |
| Net                          | (2,604,203)               | 210,642                        | (2,393,561)                           |
| Other financing sources, net | 6,216,950                 | (416,950)                      | 5,800,000                             |
| Beginning fund balance       | <u>2,879,320</u>          | <u>249,568</u>                 | <u>3,128,888</u>                      |
| Ending fund balance          | \$ <u>6,492,067</u>       | \$ <u>43,260</u>               | \$ <u>6,535,327</u>                   |

DAVIS COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2016

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, five budget amendments increased budgeted disbursements by \$8,826,480. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

DAVIS COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO FISCAL YEARS\*

REQUIRED SUPPLEMENTARY INFORMATION

|   | <u>2016</u>  |   | <u>2015</u>  |
|---|--------------|---|--------------|
| County's proportion of the net pension liability  | 0.0244203    | % | 0.023567 %   |
| County's proportionate share of the net pension liability   | \$ 1,206,480 |   | \$ 934,629   |
| County's covered-employee payroll   | \$ 2,285,788 |   | \$ 2,069,750 |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 52.78        | % | 45.16 %      |
| IPERS' net position as a percentage of the total pension liability  | 85.19        | % | 87.61 %      |

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as a June 30 of the preceeding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DAVIS COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 3 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|
| Statutorily required contribution                                  | \$ 214,575       | \$ 209,702       | \$ 196,765       |
| Contributions in relation to the statutorily required contribution | <u>(214,575)</u> | <u>(209,702)</u> | <u>(196,765)</u> |
| Contribution deficiency (excess)                                   | \$ <u>-</u>      | \$ <u>-</u>      | \$ <u>-</u>      |
| County's covered-employee payroll                                  | \$ 2,345,610     | \$ 2,285,788     | \$ 2,069,750     |
| Contributions as a percentage of covered-employee payroll          | 9.15 %           | 9.17 %           | 9.51 %           |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.



DAVIS COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

DAVIS COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

| <u>Year<br/>Ended<br/>June 30,</u> | <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>( a )</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>( b )</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>( b - a )</u> | <u>Funded<br/>Ratio<br/>( a/b )</u> | <u>Covered<br/>Payroll<br/>( c )</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>( (b-a)/c )</u> |
|------------------------------------|---|--|--|--|-------------------------------------|--------------------------------------|--|
| 2010                               | July 1, 2009                            | \$ <u>-</u>  | \$ <u>164,000</u>  | \$ <u>164,000</u>                                | 0.00%                               | \$ <u>1,702,000</u>                  | 9.60%  |
| 2011                               | July 1, 2009                            | \$ <u>-</u>  | \$ <u>164,000</u>  | \$ <u>164,000</u>                                | 0.00%                               | \$ <u>1,760,000</u>                  | 9.30%  |
| 2012                               | July 1, 2009                            | \$ <u>-</u>  | \$ <u>164,338</u>  | \$ <u>164,338</u>                                | 0.00%                               | \$ <u>2,024,088</u>                  | 8.12%  |
| 2013                               | July 1, 2012                            | \$ <u>-</u>  | \$ <u>556,747</u>  | \$ <u>556,747</u>                                | 0.00%                               | \$ <u>1,982,433</u>                  | 28.08%   |
| 2014                               | July 1, 2012                            | \$ <u>-</u>  | \$ <u>556,747</u>  | \$ <u>556,747</u>                                | 0.00%                               | \$ <u>2,189,734</u>                  | 25.43%   |
| 2015                               | July 1, 2012                            | \$ <u>-</u>  | \$ <u>556,747</u>  | \$ <u>556,747</u>                                | 0.00%                               | \$ <u>2,232,094</u>                  | 24.94%   |
| 2016                               | July 1, 2015                            | \$ <u>-</u>  | \$ <u>436,184</u>  | \$ <u>436,184</u>                                | 0.00%                               | \$ <u>2,190,030</u>                  | 19.92%   |

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

DAVIS COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

|  |                      | <u>Special Revenue</u> |   |             |
|--|----------------------|------------------------|---|-------------|
|  |                      |                        | <u>County Recorder's Records Management</u> | <u>REAP</u> |
| <u>ASSETS</u>  | <u>Mental Health</u> |                        |   |             |
| Cash, cash equivalents and pooled investments:                           |                      |                        |   |             |
| Held by County   | \$ 347,916           | \$ 3,149               | \$ 41,810                                   |             |
| Held by component unit treasurer   | -                    | -                      | -   |             |
| Receivables:   |                      |                        |   |             |
| Property tax:  |                      |                        |   |             |
| Delinquent   | 535                  | -                      | -   |             |
| Succeeding year  | 305,390              | -                      | -   |             |
| Accounts   | -                    | 446                    | 3   |             |
| <b>TOTAL ASSETS</b>  | <b>\$ 653,841</b>    | <b>\$ 3,595</b>        | <b>\$ 41,813</b>                            |             |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>      |                      |                        |   |             |
| <u>LIABILITIES:</u>  |                      |                        |   |             |
| Accounts payable   | \$ 1,800             | \$ -                   | \$ -  |             |
| Total Liabilities  | 1,800                | -                      | -   |             |
| <u>DEFERRED INFLOWS OF RESOURCES:</u>                                    |                      |                        |   |             |
| Unavailable revenues:  |                      |                        |   |             |
| Succeeding year property tax   | 305,390              | -                      | -   |             |
| Other  | 535                  | -                      | -   |             |
| Total deferred inflows of resources                                      | 305,925              | -                      | -   |             |
| <u>FUND BALANCES:</u>  |                      |                        |   |             |
| Restricted for:  |                      |                        |   |             |
| Debt service   | -                    | -                      | -   |             |
| Mental health  | 346,116              | -                      | -   |             |
| Other purposes   | -                    | 3,595                  | 41,813                                      |             |
| Total fund balances  | 346,116              | 3,595                  | 41,813                                      |             |
| <b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 653,841</b>    | <b>\$ 3,595</b>        | <b>\$ 41,813</b>                            |             |

|                               |                         | Capital<br>Projects<br>Davis<br>County<br>Courthouse<br>Preservation |              |  |
|-------------------------------|-------------------------|--|--------------|--|
| <u>Sheriff<br/>Forfeiture</u> | <u>Debt<br/>Service</u> |  | <u>Total</u> |  |
| \$ 4,884                      | \$ 54,100               | \$ -   | \$ 451,859   |  |
| -                             | -                       | 19,273   | 19,273       |  |
| -                             | 123                     | -  | 658          |  |
| -                             | 407,817                 | -  | 713,207      |  |
| -                             | -                       | -  | 449          |  |
| \$ 4,884                      | \$ 462,040              | \$ 19,273  | \$ 1,185,446 |  |
|                               |                         |  |              |  |
| \$ -                          | \$ -                    | \$ -   | \$ 1,800     |  |
| -                             | -                       | -  | 1,800        |  |
| -                             | 407,817                 | -  | 713,207      |  |
| -                             | 123                     | -  | 658          |  |
| -                             | 407,940                 | -  | 713,865      |  |
| -                             | 54,100                  | -  | 54,100       |  |
| -                             | -                       | -  | 346,116      |  |
| 4,884                         | -                       | 19,273   | 69,565       |  |
| 4,884                         | 54,100                  | 19,273   | 469,781      |  |
| \$ 4,884                      | \$ 462,040              | \$ 19,273  | \$ 1,185,446 |  |

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

|  | Special Revenue      |   |                  |                       |
|--|----------------------|---|------------------|-----------------------|
|  |                      | County<br>Recorder's<br>Records<br>Management | REAP             | Sheriff<br>Forfeiture |
|  | <u>Mental Health</u> |   |                  |                       |
| <b>REVENUES:</b>                         |                      |   |                  |                       |
| Property and other County tax            | \$ 326,628           | \$ -  | \$ -             | \$ -                  |
| Intergovernmental                        | 33,245               | -   | 12,383           | -                     |
| Charges for service                      | -                    | 1,660   | -                | -                     |
| Use of money and property                | -                    | 2   | 36               | 8                     |
| Miscellaneous                            | -                    | -   | -                | 310                   |
| Total revenues                           | <u>359,873</u>       | <u>1,662</u>                                  | <u>12,419</u>    | <u>318</u>            |
| <b>EXPENDITURES:</b>                     |                      |   |                  |                       |
| Operating:                               |                      |   |                  |                       |
| Mental Health                            | 505,707              | -   | -                | -                     |
| County environment and education         | -                    | -   | 2,999            | -                     |
| Governmental services to residents       | -                    | 1,299   | -                | -                     |
| Debt service                             | -                    | -   | -                | -                     |
| Capital projects                         | -                    | -   | -                | -                     |
| Total expenditures                       | <u>505,707</u>       | <u>1,299</u>                                  | <u>2,999</u>     | <u>-</u>              |
| Change in fund balances                  | (145,834)            | 363   | 9,420            | 318                   |
| <b>FUND BALANCES - Beginning of year</b> | <u>491,950</u>       | <u>3,232</u>                                  | <u>32,393</u>    | <u>4,566</u>          |
| <b>FUND BALANCES - End of year</b>       | \$ <u>346,116</u>    | \$ <u>3,595</u>                               | \$ <u>41,813</u> | \$ <u>4,884</u>       |

| <u>Debt<br/>Service</u> | <u>Capital<br/>Projects<br/>Davis<br/>County<br/>Courthouse<br/>Preservation</u> | <u>Total</u>      |
|-------------------------|--|-------------------|
| \$ 67,422               | \$ -   | \$ 394,050        |
| 6,999                   | -  | 52,627            |
| -                       | -  | 1,660             |
| -                       | -  | 46                |
| -                       | -  | 310               |
| <u>74,421</u>           | <u>-</u>   | <u>448,693</u>    |
| -                       | -  | 505,707           |
| -                       | -  | 2,999             |
| -                       | -  | 1,299             |
| 31,819                  | -  | 31,819            |
| <u>31,819</u>           | <u>-</u>   | <u>541,824</u>    |
| 42,602                  | -  | (93,131)          |
| <u>11,498</u>           | <u>19,273</u>  | <u>562,912</u>    |
| \$ <u>54,100</u>        | \$ <u>19,273</u>   | \$ <u>469,781</u> |

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

|  | <u>County Offices</u>  |                       |
|--|------------------------|-----------------------|
|  | <u>County Recorder</u> | <u>County Sheriff</u> |
| <u>ASSETS</u>                                  |                        |                       |
| Cash, cash equivalents and pooled investments: |                        |                       |
| County Treasurer                               | \$ -                   | \$ -                  |
| Other County officials                         | 28,025                 | 10,215                |
| Receivables:                                   |                        |                       |
| Accounts receivable                            | -                      | -                     |
| Property tax:                                  |                        |                       |
| Delinquent                                     | -                      | -                     |
| Succeeding year                                | -                      | -                     |
| TOTAL ASSETS                                   | \$ <u>28,025</u>       | \$ <u>10,215</u>      |
| <u>LIABILITIES</u>                             |                        |                       |
| Accounts payable                               | \$ -                   | \$ -                  |
| Due to other governments                       | 28,025                 | -                     |
| Trusts payable                                 | -                      | 10,215                |
| Compensated absences                           | -                      | -                     |
| TOTAL LIABILITIES                              | \$ <u>28,025</u>       | \$ <u>10,215</u>      |



| <u>E911</u>       | <u>Brucellosis<br/>and<br/>Tuberculosis<br/>Eradication</u> | <u>Corporations</u> | <u>Townships</u>  | <u>Schools</u>      | <u>Area<br/>Schools</u> |
|-------------------|---|---------------------|-------------------|---------------------|-------------------------|
| \$ 205,889        | \$ 20   | \$ 43,441           | \$ 4,520          | \$ 98,204           | \$ 5,738                |
| -                 | -   | -                   | -                 | -                   | -                       |
| 24,162            | -   | -                   | -                 | -                   | -                       |
| -                 | 2   | 17,639              | 135               | 7,741               | 449                     |
| -                 | 1,003   | 1,478,772           | 225,560           | 4,712,236           | 286,886                 |
| \$ <u>230,051</u> | \$ <u>1,025</u>   | \$ <u>1,539,852</u> | \$ <u>230,215</u> | \$ <u>4,818,181</u> | \$ <u>293,073</u>       |
| \$ 2,576          | \$ -  | \$ -                | \$ -              | \$ -                | \$ -                    |
| 227,475           | 1,025   | 1,539,852           | 230,215           | 4,818,181           | 293,073                 |
| -                 | -   | -                   | -                 | -                   | -                       |
| -                 | -   | -                   | -                 | -                   | -                       |
| \$ <u>230,051</u> | \$ <u>1,025</u>   | \$ <u>1,539,852</u> | \$ <u>230,215</u> | \$ <u>4,818,181</u> | \$ <u>293,073</u>       |

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

|                              | <u>Law<br/>Enforcement<br/>Communications</u> | <u>County<br/>Assessor</u> |
|------------------------------|---|----------------------------|
| <u>ASSETS</u>                |   |                            |
| Cash and pooled investments: |   |                            |
| County Treasurer             | \$ 215,687                                    | \$ 133,110                 |
| Other County officials       | -   | -                          |
| Receivables:                 |   |                            |
| Accounts receivable          | -   | -                          |
| Property tax:                |   |                            |
| Delinquent                   | -   | 311                        |
| Succeeding year              | -   | 199,788                    |
|                              | <u>-</u>                                      | <u>199,788</u>             |
| <br>TOTAL ASSETS             | <br>\$ <u>215,687</u>                         | <br>\$ <u>333,209</u>      |
| <br><u>LIABILITIES</u>       |   |                            |
| Accounts payable             | \$ -  | \$ -                       |
| Due to other governments     | 183,823                                       | 333,209                    |
| Trusts payable               | -   | -                          |
| Compensated absences         | <u>31,864</u>                                 | <u>-</u>                   |
| <br>TOTAL LIABILITIES        | <br>\$ <u>215,687</u>                         | <br>\$ <u>333,209</u>      |

Schedule 3  
(Continued)

| <u>Agricultural<br/>Extension<br/>Education</u> | <u>Auto<br/>License and<br/>Use Tax</u> | <u>County<br/>Hospital</u> | <u>County<br/>Watershed</u> | <u>County<br/>Recorder's<br/>Electronic<br/>Transaction Fee</u> | <u>Total</u>        |
|---|---|----------------------------|-----------------------------|---|---------------------|
| \$ 2,153  | \$ 194,232                              | \$ 22,312                  | \$ 69,449                   | \$ 149  | \$ 994,904          |
| -   | -                                       | -                          | -                           | -   | 38,240              |
| -   | -                                       | -                          | -                           | 149   | 24,311              |
| 168   | -                                       | 1,744                      | -                           | -   | 28,189              |
| <u>91,944</u>                                   | <u>-</u>                                | <u>1,115,288</u>           | <u>-</u>                    | <u>-</u>  | <u>8,111,477</u>    |
| \$ <u>94,265</u>                                | \$ <u>194,232</u>                       | \$ <u>1,139,344</u>        | \$ <u>69,449</u>            | \$ <u>298</u>   | \$ <u>9,197,121</u> |
| \$ 94,265                                       | \$ 194,232                              | \$ 1,139,344               | \$ 6,793                    | \$ -  | \$ 9,369            |
| -   | -                                       | -                          | 62,656                      | 298   | 9,145,673           |
| -   | -                                       | -                          | -                           | -   | 10,215              |
| <u>-</u>  | <u>-</u>                                | <u>-</u>                   | <u>-</u>                    | <u>-</u>  | <u>31,864</u>       |
| \$ <u>94,265</u>                                | \$ <u>194,232</u>                       | \$ <u>1,139,344</u>        | \$ <u>69,449</u>            | \$ <u>298</u>   | \$ <u>9,197,121</u> |

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

|                                    | <u>County<br/>Recorder</u> | <u>County Offices<br/>County<br/>Sheriff</u> |
|------------------------------------|----------------------------|--|
| Balances beginning of year         | \$ <u>22,761</u>           | \$ <u>5,731</u>                              |
| Additions:                         |                            |  |
| Property and other County tax      | -                          | -  |
| E911 surcharge                     | -                          | -  |
| State tax credits                  | -                          | -  |
| Reimbursements                     | -                          | -  |
| Office fees and collections        | 244,846                    | -  |
| Auto licenses, use tax and postage | -                          | -  |
| Trusts                             | -                          | 103,158                                      |
| Miscellaneous                      | -                          | -  |
| Total additions                    | <u>244,846</u>             | <u>103,158</u>                               |
| Deductions:                        |                            |  |
| Agency remittances:                |                            |  |
| To other funds                     | 61,782                     | -  |
| To other governments               | 177,800                    | -  |
| Trusts paid out                    | -                          | 98,674                                       |
| Total deductions                   | <u>239,582</u>             | <u>98,674</u>                                |
| Balances end of year               | \$ <u>28,025</u>           | \$ <u>10,215</u>                             |

| <u>County Auditor</u> | <u>E911</u>       | <u>Brucellosis and Tuberculosis Eradication</u> | <u>Corporations</u> | <u>Townships</u>  | <u>Schools</u>      | <u>Area Schools</u> |
|-----------------------|-------------------|---|---------------------|-------------------|---------------------|---------------------|
| \$ <u>          </u>  | \$ <u>226,701</u> | \$ <u>1,044</u>                                 | \$ <u>1,586,962</u> | \$ <u>225,596</u> | \$ <u>5,066,112</u> | \$ <u>298,552</u>   |
|                       | -                 | 942   | 1,261,129           | 211,248           | 4,406,170           | 269,281             |
| -                     | 1,124             | -   | -                   | -                 | -                   | -                   |
| -                     | -                 | 97  | 216,185             | 17,270            | 475,093             | 27,903              |
| -                     | 192,676           | -   | -                   | -                 | -                   | -                   |
| 923                   | -                 | -   | -                   | -                 | -                   | -                   |
| -                     | -                 | -   | -                   | -                 | -                   | -                   |
| -                     | 239               | -   | 7,523               | -                 | -                   | -                   |
| <u>923</u>            | <u>194,039</u>    | <u>1,039</u>                                    | <u>1,484,837</u>    | <u>228,518</u>    | <u>4,881,263</u>    | <u>297,184</u>      |
| 923                   | -                 | -   | -                   | -                 | -                   | -                   |
| -                     | 190,689           | 1,058   | 1,531,947           | 223,899           | 5,129,194           | 302,663             |
| -                     | -                 | -   | -                   | -                 | -                   | -                   |
| <u>923</u>            | <u>190,689</u>    | <u>1,058</u>                                    | <u>1,531,947</u>    | <u>223,899</u>    | <u>5,129,194</u>    | <u>302,663</u>      |
| \$ <u>-</u>           | \$ <u>230,051</u> | \$ <u>1,025</u>                                 | \$ <u>1,539,852</u> | \$ <u>230,215</u> | \$ <u>4,818,181</u> | \$ <u>293,073</u>   |

DAVIS COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2016

|                                    | <u>Law<br/>Enforcement<br/>Communications</u> | <u>County<br/>Assessor</u> | <u>Agricultural<br/>Extension<br/>Education</u> |
|------------------------------------|---|----------------------------|---|
| Balances beginning of year         | \$ 201,553                                    | \$ 341,407                 | \$ 111,611                                      |
| Additions:                         |   |                            |   |
| Property and other County tax      | -   | 187,574                    | 85,368  |
| E911 surcharge                     | -   | -                          | -   |
| State tax credits                  | -   | 19,356                     | 10,468  |
| Reimbursements                     | 464,250                                       | -                          | -   |
| Office fees and collections        | -   | 14,222                     | -   |
| Auto licenses, use tax and postage | -   | -                          | -   |
| Trusts                             | -   | -                          | -   |
| Miscellaneous                      | 166   | -                          | -   |
| Total additions                    | <u>464,416</u>                                | <u>221,152</u>             | <u>95,836</u>                                   |
| Deductions:                        |   |                            |   |
| Agency remittances:                |   |                            |   |
| To other funds                     | -   | -                          | -   |
| To other governments               | 450,282                                       | 229,350                    | 113,182   |
| Trusts paid out                    | -   | -                          | -   |
| Total deductions                   | <u>450,282</u>                                | <u>229,350</u>             | <u>113,182</u>                                  |
| Balances end of year               | \$ <u>215,687</u>                             | \$ <u>333,209</u>          | \$ <u>94,265</u>                                |

Schedule 4  
(Continued)

| <u>Auto<br/>License and<br/>Use Tax</u> | <u>County<br/>Hospital</u> | <u>County<br/>Watershed</u> | <u>County<br/>Recorder's<br/>Electronic<br/>Transaction Fee</u> | <u>Tax Sale<br/>Redemption</u> | <u>Total</u>        |
|---|----------------------------|-----------------------------|---|--------------------------------|---------------------|
| \$ <u>183,129</u>                       | \$ <u>1,160,722</u>        | \$ <u>220,484</u>           | \$ <u>286</u>   | \$ <u>-</u>                    | \$ <u>9,652,651</u> |
| -                                       | 1,046,842                  | -                           | -   | -                              | 7,468,554           |
| -                                       | -                          | -                           | -   | -                              | 1,124               |
| -                                       | 108,497                    | -                           | -   | -                              | 874,869             |
| -                                       | -                          | 618,457                     | -   | -                              | 1,275,383           |
| -                                       | -                          | -                           | 1,660   | -                              | 261,651             |
| 2,345,320                               | -                          | -                           | -   | -                              | 2,345,320           |
| -                                       | -                          | -                           | -   | -                              | 103,158             |
| -                                       | -                          | 60,000                      | -   | 163,268                        | 231,196             |
| <u>2,345,320</u>                        | <u>1,155,339</u>           | <u>678,457</u>              | <u>1,660</u>  | <u>163,268</u>                 | <u>12,561,255</u>   |
| 81,849                                  | -                          | -                           | -   | -                              | 144,554             |
| 2,252,368                               | 1,176,717                  | 829,492                     | 1,648   | -                              | 12,610,289          |
| -                                       | -                          | -                           | -   | 163,268                        | 261,942             |
| <u>2,334,217</u>                        | <u>1,176,717</u>           | <u>829,492</u>              | <u>1,648</u>  | <u>163,268</u>                 | <u>13,016,785</u>   |
| \$ <u>194,232</u>                       | \$ <u>1,139,344</u>        | \$ <u>69,449</u>            | \$ <u>298</u>   | \$ <u>-</u>                    | \$ <u>9,197,121</u> |

DAVIS COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

|                                      | <u>2016</u>          | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         |
|--------------------------------------|----------------------|---------------------|---------------------|---------------------|
| <u>REVENUES:</u>                     |                      |                     |                     |                     |
| Property and other County tax        | \$ 3,086,129         | \$ 2,965,539        | \$ 2,921,488        | \$ 2,249,536        |
| Local option sales tax               | 556,302              | 514,726             | 523,457             | 472,656             |
| Interest and penalty on property tax | 41,095               | 40,963              | 40,865              | 37,042              |
| Intergovernmental                    | 4,514,943            | 3,572,058           | 3,520,666           | 3,229,489           |
| Licenses and permits                 | 4,834                | 3,476               | 2,253               | 1,353               |
| Charges for service                  | 203,715              | 166,166             | 174,104             | 189,245             |
| Use of money and property            | 156,498              | 110,208             | 123,255             | 108,940             |
| Miscellaneous                        | <u>226,974</u>       | <u>280,123</u>      | <u>333,744</u>      | <u>212,176</u>      |
| Total                                | \$ <u>8,790,490</u>  | \$ <u>7,653,259</u> | \$ <u>7,639,832</u> | \$ <u>6,500,437</u> |
| <u>EXPENDITURES:</u>                 |                      |                     |                     |                     |
| Operating:                           |                      |                     |                     |                     |
| Public safety and legal services     | \$ 1,147,596         | \$ 1,118,066        | \$ 1,130,902        | \$ 1,000,763        |
| Physical health and social services  | 291,851              | 270,870             | 302,027             | 361,895             |
| Mental health                        | 505,707              | 333,421             | 417,655             | 194,958             |
| County environment and education     | 411,355              | 436,358             | 425,776             | 385,639             |
| Roads and transportation             | 4,798,938            | 3,301,804           | 3,412,373           | 3,639,913           |
| Governmental services to residents   | 346,566              | 346,015             | 335,800             | 334,722             |
| Administration                       | 795,406              | 809,309             | 788,462             | 745,881             |
| Non-program                          | -                    | -                   | -                   | -                   |
| Debt service                         | 39,324               | 173,083             | 173,083             | 163,083             |
| Capital projects                     | <u>2,847,308</u>     | <u>958,899</u>      | <u>644,709</u>      | <u>61,699</u>       |
| Total                                | \$ <u>11,184,051</u> | \$ <u>7,747,825</u> | \$ <u>7,630,787</u> | \$ <u>6,888,553</u> |

\* Included with property and other County tax



| Modified Accrual Basis |                     |                     |                     |                     |                     |
|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>2012</u>            | <u>2011</u>         | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         | <u>2007</u>         |
| \$ 3,081,335           | \$ 3,380,691        | \$ 3,200,731        | \$ 3,300,824        | \$ 2,921,282        | \$ 2,853,978        |
| *                      | *                   | *                   | *                   | *                   | *                   |
| 35,120                 | 40,269              | 36,845              | 35,634              | 37,182              | 38,710              |
| 3,281,207              | 3,815,654           | 3,186,596           | 3,141,865           | 3,312,765           | 3,226,257           |
| 650                    | 530                 | 679                 | 921                 | 1,243               | 1,126               |
| 175,776                | 178,010             | 161,984             | 155,828             | 180,056             | 163,077             |
| 118,873                | 144,488             | 135,639             | 149,307             | 196,634             | 200,394             |
| <u>923,699</u>         | <u>256,515</u>      | <u>367,314</u>      | <u>507,350</u>      | <u>262,982</u>      | <u>176,031</u>      |
| \$ <u>7,616,660</u>    | \$ <u>7,816,157</u> | \$ <u>7,089,788</u> | \$ <u>7,291,729</u> | \$ <u>6,912,144</u> | \$ <u>6,659,573</u> |
|                        |                     |                     |                     |                     |                     |
| \$ 1,031,977           | \$ 1,024,181        | \$ 946,948          | \$ 970,405          | \$ 872,141          | \$ 800,020          |
| 312,477                | 223,789             | 208,488             | 211,995             | 217,318             | 230,039             |
| 844,830                | 707,002             | 618,031             | 858,367             | 843,374             | 833,763             |
| 405,342                | 305,829             | 317,435             | 342,367             | 262,911             | 325,302             |
| 3,805,399              | 3,790,030           | 2,831,669           | 3,215,153           | 2,909,254           | 2,834,286           |
| 255,644                | 315,808             | 319,976             | 316,655             | 293,255             | 284,501             |
| 873,921                | 784,241             | 953,235             | 846,335             | 837,023             | 671,666             |
|                        | 11,912              | 20,298              | 23,690              | 10,519              | 50,835              |
| 67,542                 | -                   | -                   | -                   | -                   | -                   |
| <u>1,464,888</u>       | <u>325,132</u>      | <u>149,570</u>      | <u>-</u>            | <u>34,269</u>       | <u>392,940</u>      |
| \$ <u>9,062,020</u>    | \$ <u>7,487,924</u> | \$ <u>6,365,650</u> | \$ <u>6,784,967</u> | \$ <u>6,280,064</u> | \$ <u>6,423,352</u> |

## DAVIS COUNTY, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

|   | <u>CFDA<br/>Number</u> | <u>Agency or Pass-<br/>Through Number</u> | <u>Program<br/>Expenditures</u> |
|---|------------------------|---|---------------------------------|
| <b>GRANTOR/PROGRAM:</b>   |                        |   |                                 |
| <b><u>INDIRECT:</u></b>   |                        |   |                                 |
| Department of Agriculture:  |                        |   |                                 |
| Iowa Department of Human Services:  |                        |   |                                 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program              | 10.561                 | -   | \$ 5,376                        |
| Department of Housing and Urban Development:  |                        |   |                                 |
| Iowa Economic Development Authority:  |                        |   |                                 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii             | 14.228                 | 08-DRIFWP-210                             | 729,570                         |
| Department of Health and Human Services:  |                        |   |                                 |
| Iowa Department of Human Services:  |                        |   |                                 |
| Immunization Cooperative Agreements   | 93.268                 | 58851423                                  | 6,734                           |
| Immunization Cooperative Agreements   | 93.268                 | 58861423                                  | 2,027                           |
|   |                        |   | <u>8,761</u>                    |
| Hospital Preparedness Program (HPP) and Public Health Emergency Prep Aligned Cooperative Agreements | 93.074                 | -   | 727                             |
| Refugee and Entrant Assistance - State Administered Programs  | 93.566                 | -   | 14                              |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund                      | 93.596                 | -   | 1,423                           |
| Foster Care - Title IV-E  | 93.658                 | -   | 2,019                           |
| Adoption Assistance   | 93.659                 | -   | 701                             |
| Social Services Block Grant   | 93.667                 | -   | 1,683                           |
| Children's Health Insurance Program   | 93.767                 | -   | 38                              |
| Medical Assistance Program  | 93.778                 | -   | 10,209                          |
| Department of Transportation:   |                        |   |                                 |
| Iowa Department of Transportation:  |                        |   |                                 |
| Highway Planning and Construction   | 20.205                 | BROS-C026(86)-8J-26                       | 542,519                         |
| Highway Planning and Construction   |                        | BROS-C026(89)-8J-26                       | 155,785                         |
| Highway Planning and Construction   |                        | BROS-C026(85)-8J-26                       | 106,213                         |
|   |                        |   | <u>804,517</u>                  |
| State and Community Highway Safety  | 20.600                 | -   | 1,858                           |
| Total   |                        |   | \$ <u>2,380,174</u>             |

**Basis of Presentation** - The accompany Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Davis County, Iowa under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Davis County, Iowa, it is not intended to and does not present the financial position, changes in financial position or cash flows of Davis County, Iowa.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Davis County, Iowa has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DAVIS COUNTY, IOWA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

Finding: 15-III-A

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is aware of the issues and has begun monitoring the situation.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the officials of Davis County, Iowa;

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Davis County, Iowa's basic financial statements and have issued our report thereon dated January 26, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Davis County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis County, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 16-II-A that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Davis County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Davis County, Iowa's Response to Findings**

Davis County, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Davis County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa  
January 26, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Officials of Davis County, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Davis County, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Davis County, Iowa's major federal programs for the year ended June 30, 2016. Davis County, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Davis County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Davis County, Iowa's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Davis County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

## Report on Internal Control over Compliance

Management of Davis County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Davis County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-III-A to be a significant deficiency.

Davis County, Iowa's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Davis County, Iowa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa  
January 26, 2017

DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- g. The major program was CFDA Number: 20.205 Highway Planning and Construction
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Davis County, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

16-II-A Segregation of Duties – During our review of the internal control structure, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating control exists:

- |   | <u>Applicable<br/>Offices</u>                    |
|---|--|
| 1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.   | Ag Extension,<br>Recorder, Sheriff,<br>Treasurer |
| 2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.   | Ag Extension<br>Recorder, Sheriff,<br>Treasurer  |
| 3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing the checks or warrants, the supporting documentation should be reviewed for propriety. After signing the checks or warrants, they should be mailed without allowing them to return to individuals who prepared the checks or warrants or approved vouchers for payment. | Recorder, Sheriff,<br>Treasurer                  |



DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

Part II: Findings Related to the Financial Statements (Continued)

INTERNAL CONTROL DEFICIENCIES (Continued)

16-II-A Segregation of Duties (Continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such review should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction

Pass-through Numbers: BROS – C026 (86) – 8J – 26, BROS – C026 (85) – 8J – 26 and BROS – C026 (89) – 8J – 26

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

16-III-A Segregation of Duties over Federal Receipts and Disbursements – The County did not properly segregate collection, deposit, disbursement and record-keeping for receipts and disbursements, including those related to federal programs. See item 16-II-A.

DAVIS COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting

16-IV-A Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

16-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979.

16-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

16-IV-D Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u>                   | <u>Description</u> | <u>Amount</u> |
|--|--------------------|---------------|
| Pam Martin, Deputy Auditor,<br>Spouse is Owner of Martin Oil | Oil and fuel       | \$ 18,421     |

The above transaction does not represent a conflict of interest due to the limited number of suppliers and regular rotation of such suppliers.

16-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

16-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

16-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

16-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A. 19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

16-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.